

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Lieu, et al. Analyst: Rachel Coco Bill Number: AB 2033  
 Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: April 25, 2006  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Joint Strike Fighter Or Crew Exploration Vehicle Credit/Extend Repeal Date to December 1, 2011

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

☒ February 14, 2006, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would expand the Joint Strike Fighter (JSF) wage and property credits to include the Crew Exploration Vehicle and would extend the credits for five additional years.

**SUMMARY OF AMENDMENTS**

The April 25, 2006, amendments added language to expand the JSF credits to a taxpayer under an initial contract or subcontract to manufacture property for ultimate use in a NASA Crew Exploration Vehicle. As a result of the amendments, the "This Bill" and "Revenue Impact" discussions provided in that analysis of the bill as introduced, February 14, 2006, have been revised. The remainder of the analysis still applies.

**POSITION**

Pending.

Board Position:

\_\_\_\_\_ S \_\_\_\_\_ NA \_\_\_\_\_ NP  
 \_\_\_\_\_ SA \_\_\_\_\_ O \_\_\_\_\_ NAR  
 \_\_\_\_\_ N \_\_\_\_\_ OUA ☒ PENDING

Legislative Director

Date

Brian Putler

5/3/06

## ANALYSIS

### THIS BILL

This bill would extend the time for which the JSF wage and property credits are available for taxable years beginning on or after January 1, 2006, and before January 1, 2011. The bill revises the repeal date for the credits to December 1, 2011.

This bill also would expand use of the JSF wage and property credits to include wages paid and property manufactured for use in a Crew Exploration Vehicle.

### PROGRAM BACKGROUND

The Crew Exploration Vehicle is expected to carry up to six astronauts into Earth's orbit soon after the space shuttle is retired in 2010 and then on to the moon by 2018. The Crew Exploration Vehicle is a key element of the Vision for Space Exploration, which returns human explorers to the moon, Mars, and beyond.

Three companies, Lockheed Martin Corp., a team of Northrop Grumman Systems Corp., and The Boeing Co., were selected as Phase 1 contractors in June, 2005. They have been working with NASA to define requirements and develop conceptual designs for the agency's next-generation vehicle for human space flight.

One of the Phase 1 contractors will be selected as the Phase 2 prime contractor to design, develop, test, evaluate and produce the Crew Exploration Vehicle. Although the new contract authorizations include options that could extend the Phase 1 work until December, NASA expects to select the Phase 2 prime contractor by August, 2006.

### ECONOMIC IMPACT

#### Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following revenue losses:

Estimated Revenue Impact of AB 2033 Effective On Or After January 1, 2006 Enactment Assumed After June 30, 2006 (\$ Millions)			
	2006-07	2007-08	2009-10
Extension of JSF	-\$4	-\$11	-\$25
Add Crew Exploration Vehicle	-\$1	-\$ 6	-\$12
Total	-\$5	-\$17	-\$37

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion

The estimate for the extension of the JSF credit remains unchanged from the estimate included in the analysis of the bill as introduced February 14, 2006.

NASA personnel stated that the Crew Exploration Vehicle budget for 2006 is \$839 million. By 2011, the budget will increase to \$2.5 billion when the vehicle is expected to go into production.

This estimate assumes that 30% of the Crew Exploration Vehicle contract money will be spent in California annually (\$252 million in 2006). The estimate further assumes that 95% of spending in 2006 will be for contracts signed prior to the enactment of this bill. The credit is restricted to the amount of credit explicitly anticipated in the contract bid and is used to reduce the bid price. As a result, only 5% (\$13 million) of 2006 contract spending would qualify for the credit. The estimate then assumes that 40% of spending will be for qualified wages (\$13 million x 40% = \$5 million). Because the wage credit is limited to \$10,000 per employee, it is estimated that 9% of wage spending will be creditable (\$5 million x 9% = \$450,000 in 2006).

It is also assumed that 40% of Crew Exploration Vehicle spending will be for qualified investments (\$13 million x 40% = \$5 million). The credit rate for these investments is 6%. Thus, investment credits would be approximately \$300,000 in 2006 (\$5 million x 6%). The total 2006 credit would be \$750,000 (\$450,000 + \$300,000). The estimate assumes that the percentage of contract spending, including the necessary bid price reduction, will increase to 50% in 2007 and to 80% in 2008.

The estimates presented in the table above assume that 20% of credits will be carried over for future use and have been converted to fiscal years.

### **LEGISLATIVE STAFF CONTACT**

Rachel Coco  
Franchise Tax Board  
(916) 845-4328  
[rachel.coco@ftb.ca.gov](mailto:rachel.coco@ftb.ca.gov)

Brian Putler  
Franchise Tax Board  
(916) 845-6333  
[brian.putler@ftb.ca.gov](mailto:brian.putler@ftb.ca.gov)